

reduce complexity for many small businesses by minimizing controversy over whether an item should be expensed or capitalized.

**Rollover of Property Held for Productive Use or Investment**—Present law strongly favors sophisticated taxpayers over ordinary small business owners in the execution of like-kind exchange transactions. Thirty-seven pages of the Code of Federal Regulations is devoted to the topic of like-kind exchanges, and a library could be filled with the court decisions, revenue rulings, and letter rulings that Section 1031 of the IRC has engendered. Attorneys and exchange facilitators must execute hundreds of thousands of pages of documents each year to comply with the formalistic rule that prevents the owners of like-kind property from receiving cash in a like-kind exchange transaction.

There is a simple way to eliminate this paperwork: repeal the limitation on sales for cash and allow a like-kind exchange within 180 days before or after the disposition of relinquished property. The bill does this.

**Repeal of Collapsible Corporation Rules and the Personal Holding Company Tax**—Finally, the bill would repeal the collapsible corporation rules and the Personal Holding Company tax, both of which regimes have been largely eclipsed by subsequent changes to the tax code. The Collapsible Corporation rules have lost their rationale, due to the repeal of the General Utilities doctrine. The Personal Holding Company tax no longer serves its original purpose, because the maximum individual income tax rate is close to the maximum corporate rate. Both provisions continue to add complexity to small business tax planning that is out of proportion to their remaining tax policy justification. Repeal of these rules is long overdue.

I urge my colleagues to join me in cosponsoring this legislation.

#### ELIMINATION OF DOUBLE TAXATION ON DIVIDENDS, REPEAL OF THE AMT, REDUCTION IN THE CAPITAL GAINS TAX, AND STUDY ON DEPRECIATION TAX SCHEDULES

**HON. MAC COLLINS**

OF GEORGIA

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 7, 2003*

Mr. COLLINS. Mr. Speaker, I rise today to introduce several tax-based reform bills which will have a positive impact on our current economy. They are measures which will stimulate growth, eliminate outdated, punitive provisions of the tax code, and prepare the way for further reforms which will bring our tax code more in line with the current market conditions.

First, is the Capital Gains Tax Rate Reduction Act. This legislation will reduce the top capital gains tax rate from 20 percent to 10 percent. Additionally, the lower rate of 10 percent would be reduced to 5 percent. The measure would also repeal the five year holding rule.

This legislation is needed to spur today's ailing economy. From past rate reductions, we know that the economy responds to the lowering of rates. The impact of reducing the tax burden on investments is to increase activity

in the markets. When the tax is reduced, individuals have an incentive to sell assets. These sales spur economic growth, as well as generate revenue for the Federal coffers.

Second is the Alternative Minimum Tax Repeal Act (AMT). This legislation will repeal the Alternative Minimum Tax applied to individual taxpayers. The domestic tax system has dramatically changed since the creation of the AMT regime. Consequently, this tax structure has long outlived its purpose. Today, the AMT is punitive in nature, overly cumbersome and affects taxpayers who were never intended to fall into this tax trap. Congress has taken action to address some of the concerns raised by the individual AMT. Specifically, the Economic Growth and Tax Relief Reconciliation Act (H.R. 1836) enacted in the 107th Congress made permanent the ability to offset the individual AMT calculation with the child tax credit. The measure also increased the AMT exemption amount by \$4,000 for joint returns (\$2,000 for unmarried individuals) effective for tax years between 2001 and 2004. In tax year 2005, the AMT exemption amount reverts back to its previous levels.

Additionally, the Job Creation and Worker Assistance Act, signed into law on March 9, 2002, provides for another temporary extension of the provisions which allow individuals to use all remaining personal tax credits against both their regular and AMT tax. These provisions expire at the end of the 2003 tax year. It is time for a permanent fix to this escalating problem. The impact of the individual AMT structure will continue to grow until these issues are addressed head on. Changes should be made on a long-term, permanent basis.

To provide a permanent remedy to the increasing problem of more tax filers falling into the AMT each year, my legislation will permanently extend the current-law provision which allows all personal tax credits to be applied against the AMT calculation. The proposal will also immediately increase the AMT income exemption level by 10 percent, and subsequently increase the exemption by 10 percent in subsequent years. In addition, the bill will repeal the income limitation that currently applies to that exemption. Finally, at the end of a ten year period, the individual AMT will fully be repealed.

The bill will also repeal the corporate AMT. The U.S. is the only nation which imposes the Alternative Minimum Tax (AMT) on businesses. It is a very complex and outdated dual tax system which essentially imposes a tax penalty for making capital investments. The legislation would also allow businesses to utilize their accrued AMT credits over the next five years.

Third is the Elimination of Double Taxation Act. Today dividends paid to investors are double taxed at the business level and then at the individual level. Today, investors are all across the economic spectrum. According to the Tax Foundation, 63.6 percent of the taxpayers who claimed dividends on 2000 tax returns earned less than \$50,000 in wages and salaries. More and more, investors are men and women who are working on the front line of manufacturing firms or small businesses who have chosen to share in the benefit of their labor through investing in the business. This legislation will eliminate a cost that the government imposes on that investment.

Finally, I am introducing legislation that will begin the process of reforming current depre-

ciation schedules in the tax code. Depreciation tax laws provide businesses the ability to deduct the costs of capital investments over time. Current depreciation schedules are dramatically out of line with the real economic life and use of the properties that are being purchased in today's markets. Often the number of years allowed for the deduction exceeds the number of years the investor may finance the capital investment. The result is a higher tax cost. This legislation will call upon the Secretary of the Treasury to make specific recommendations about how to bring the depreciations schedules more in line with the true economic life of property.

Mr. Speaker, I congratulate the President on his announcement of an economic stimulus package today. I ask my colleagues in the House of Representatives to join me by cosponsoring the legislation I am introducing. They are important first steps in addressing the need to change the tax code in ways that will provide economic stimulus across the board for American workers.

#### THE CONSUMER PROTECTION FOR ON-LINE GAMES ACT

**HON. CAROLYN C. KILPATRICK**

OF MICHIGAN

IN THE HOUSE OF REPRESENTATIVES

*Tuesday, January 7, 2003*

Ms. KILPATRICK. Mr. Speaker, the gaming industry has broadened its exposure over on-line and wireless communications networks. People do not have to go to casinos in Las Vegas, Reno, Detroit, Atlantic City or other gaming sites to gamble. They can play games of chance over the Internet from the privacy of their own homes.

According to one financial analysis, Internet gambling is a \$1 billion industry and is forecasted to grow to \$5 billion by 2005. There are nearly 1 million paying users of the largest network games and free sweepstakes sites which are among the most popular Internet destinations.

Many of the network gaming sites originate from offshore websites, and are beyond the reach of States and local authorities, even those authorities that prohibit Internet gaming in their jurisdictions. Local and state governments devote few resources to regulate or enforce laws against network gaming. No protections exist to ensure the integrity of the game, protection from minors seeking to patronize games, or protection from excessive financial loss. Therefore, network gaming continues with very little regulation and with very few guarantees that the games of chance or sweepstakes one finds on internet sites are above board.

The Consumer Protection for On-line Games Act, which I am introducing today, will allow U.S. consumers to know if the games they are playing are fraudulent. The bill will permit U.S. consumers to participate in online games with the security of knowing they are playing from a straight deck of cards. Specifically, the bill proposes the following:

1. Establishes the Federal Trade Commission as the agency responsible for monitoring games of chance offered on the Internet or wireless network.
2. Prohibits network game operators subject to U.S. law from making false or misleading claims regarding the fairness of such games.